

REQUEST FOR PROPOSALS

Delaware Public Service Commission
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TO ASSIST THE DELAWARE PUBLIC SERVICE COMMISSION AND COORDINATING
STATE AGENCIES (DELAWARE ENERGY OFFICE (DEO), OFFICE OF MANAGEMENT AND
BUDGET (OMB), AND OFFICE OF CONTROLLER GENERAL (OCG)) IN THE REVIEW AND
EVALUATION OF DELMARVA POWER & LIGHT'S INTEGRATED RESOURCE PLAN

DATE OF ISSUE: December 5, 2006

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I. INTRODUCTION:

You are hereby invited to submit a proposal to the Delaware Public Service Commission in accordance with the specifications and conditions contained in this Request for Proposal ("RFP"). Such Proposals will be distributed and reviewed by the Commission Staff and the Coordinating State Agencies (DEO, OCG, and OMB). Please submit your proposal in the format specified with appropriate data in each section. Submissions should comprise an original and ten (10) copies of each proposal.

II. BACKGROUND:

Pursuant to the Electric Restructuring of 1999, the "generation, supply and sale of electricity" was "deregulated." A price cap on electric supply rates of some 6 years for Delmarva Power and Light ("DP&L") customers recently expired in May of this year, resulting in a concomitant large increase in electricity prices. Partly in response to that increases in rates, in 2006 the Delaware Legislature enacted the "Electric Utility Retail Customer Supply Act of 2006" (the "Act").

As part of the Act, Delmarva Power & Light ("DP&L") is designated as the Standard Offer Service Supplier and in order to meet its electric supply requirements it has the ability to:

- (1) enter into short- and long-term contracts for the procurement of power necessary to serve its customers;
- (2) own and operate facilities for the generation of electric power;
- (3) build generation and transmission facilities (subject to any other requirements in any other section of the Delaware Code regarding siting, etc.)
- (4) make investments in Demand-Side resources, and
- (5) take any other Commission-approved action to diversify their retail load.

Additionally, as part of the Act, DP&L is required to conduct biennial Integrated Resource Planning (“IRP”), defined in the legislation as the planning process of an Electric Distribution Company that systematically evaluates all available supply options, including but not limited to: generation, transmission and Demand-Side Management programs, during the planning period to ensure that the Electric Distribution Company acquires sufficient and reliable resources over time that meet their customers’ needs at a minimal cost.

The Delaware General Assembly established December 1, 2006, as the date by which DP&L shall file with the Commission, the Controller General, the Director of the Office of Management and Budget and the Energy Office an Integrated Resource Plan. The IRP shall set forth DP&L's supply and demand forecast for the next ten (10)-year period, and the resource mix with which DP&L proposes to meet its supply obligations for that ten-year period. Examples include but are not limited to:

- Demand-Side Management
- Long-term Purchased Power Contracts¹
- Short-term Purchased Power Contracts
- Self Generation
- Procurement in the Wholesale Market by RFP
- Spot Market Purchases

The IRP will investigate all opportunities for a more diverse supply at the lowest reasonable cost and shall not rely exclusively on any particular resource or purchase procurement process. In developing the IRP, DP&L should consider the economic and environmental value of the following:

1 It may be helpful for the bidders to know that, while not directly relevant to this request for proposal to evaluate an Integrated Resource Plan, the General Assembly also directed DP&L, the Commission and other state agencies to evaluate proposals specifically for the construction of new generation resources within Delaware. Responses to the Request for Proposals for potential generating projects in Delaware are due by December 22, 2006. A final decision on which, if any, of the generation proposals might be included in the IRP is expected by February 28, 2007.

- Resources that utilize new or innovative base-load technologies (such as coal gasification)
- Resources that provide short- or long-term environmental benefits to the citizens of this State (such as renewable resources like wind and solar power)
- Facilities that have existing fuel and transmission infrastructure
- Facilities that utilize existing brownfield or industrial sites
- Resources that promote fuel diversity
- Resources that encourage price stability.
- Resources or facilities that support or improve reliability

III. SCOPE OF WORK TO BE PERFORMED:

The retained firm will be required to work in coordination with DP&L and the Commission, Coordinating State Agencies and various DP&L officials, community representatives, government agencies and potentially other parties or individuals to review and evaluate the IRP. In addition to consideration of the economic and environmental values described above, evaluations and recommendations in the following general areas are also required:

- The long-range demand and energy forecast used in the Plan
- The demand and supply options considered to meet the forecasted demand
- The effect energy efficiency investments can have on demand growth, peak demand and transmission constraints
- The process used to integrate demand and supply options into a single resource plan
- The analysis of the risk and sensitivity of the resource plans considered compared with alternative planning assumptions and scenarios
- The criteria used to select the recommended resource plan.

The successful offeror will also be required to provide a final written report to the Commission and Coordinating State Agencies and will be required to attend proceedings and testify before the Commission and Coordinating State Agencies on such report. The successful offeror will be expected to share their knowledge and insights on DP&L's IRP with the Commission Staff, the Commission, and representatives of the Director of the Office of Management and Budget, the Controller General and the

Energy Office and provide expert advice on the most sufficient, efficient and reliable resources to meet customer needs at minimal cost. The Commission and Coordinating State Agencies are expected to make a final decision in the second quarter of 2007.

Commission Staff anticipates this work to consist of three (3) principal tasks. Task 1 involves participation in one to three public review sessions to be followed by a thorough review of Delmarva Power's IRP filing, to include a thorough technical, environmental and economic analysis which assesses the sufficiency, efficiency, reliability and economic impact of the plan with recommendations for potential change. In Task 2 Bidders will be expected to provide their own modeling and analysis that would produce an IRP using the general guidelines provided in the Background portion of this RFP (Section II above) that may or may not be consistent with the IRP filed by Delmarva. Task 3 involves the filing of testimony, attendance at legal proceedings, standing cross examination and supporting the coordinating state agencies in all public evidentiary hearings required to adopt a final integrated resource plan.

In summary, the Commission and Coordinating State Agencies seek from the offeror(s) a firm total not-to-exceed price for complete performance of this project.

Other Requirements:

A list of individuals who will be performing the tasks, along with their qualifications, shall be submitted in response to this RFP. Also required is the bidders suggested time frame in which the work will be completed for the elements in each task and within the requirements of Delaware law

The successful offeror(s) is expected to use professional expertise in projecting a reasonable work plan for this engagement which will result in the completion of the engagement for the fixed price. The Commission and Coordinating State Agencies recognize that there are limited circumstances where, for

unforeseeable reasons, the scope of work will necessarily expand beyond that reasonably contemplated in the original proposal and, therefore, will consider timely filed requests for supplemental compensation. A timely filed request is one filed with the designated Commission and Coordinating State Agencies staff contact(s) in sufficient time, normally not less than two weeks prior to the consultant commencing the work for which the additional payment is sought.

ALL OFFERORS ARE HEREBY SPECIFICALLY ADVISED THAT PRIOR TO ANY PAYMENT FOR SUCH ADDITIONAL COST, THE CONSULTANT WILL BE REQUIRED TO PROVIDE DETAILED WRITTEN SUPPORT FOR ANY SUPPLEMENTAL FUNDING DEMONSTRATING THAT THE WORK INVOLVED IN BRINGING THE MATTER TO CONCLUSION WAS NOT AND COULD NOT HAVE BEEN REASONABLY CONTEMPLATED AS BEING WITHIN THE ORIGINAL PROPOSAL.

The successful offeror may, in addition, be required to appear before the Commission and/or Coordinating State Agencies in open public session to explain any such request for compensation over and above the price established to complete this engagement. Other state agencies could also request the appearance of the successful offeror for an explanation of the need for additional funding.

IV. DEADLINE FOR PROPOSALS:

All proposals must be received not later than 4:30 P.M. on December 29, 2006 in a sealed envelope marked "BID PROPOSAL ENCLOSED". Proposals received thereafter will not be considered, absent prior approved extensions by the Commission staff representative. To be received, the proposals must be physically present, by mail or by delivery at the Commission office, 861 Silver Lake Blvd., Cannon Building, Suite 100, Dover, Delaware, 19904 by the time specified herein above.

V. PROPOSED PLANS AND TIMETABLES:

The offeror's proposal must clearly state all plans for the performance of the proposed project with a timetable estimating the calendar time required and the proposed elements of the project.

VI. SIGNATURE ON PROPOSALS AND NUMBER OF COPIES:

The proposals and all copies must be signed by an officer or partner authorized to bind the offeror contractually and include the name, title, address, and telephone number of the officer or partner (if different from above) who may be contacted during the period of proposal evaluation. An original plus ten (10) copies are required. By obtaining prior approval of the Commission's designated staff representative, as to electronic format, one electronic copy may be substituted for the last four (4) physical copies.

VII. PROJECT LEADER:

The following individual is designated as the Commission's Project Leader:

***Robert Howatt
Public Utilities Analyst
Delaware Public Service Commission
861 Silver Lake Blvd.
Cannon Building, Suite 100
Dover, Delaware 19904***

Mr. Howatt will act as the point of contact and coordinator for the entire project. This individual will represent the Commission and other Coordinating State Agencies in all aspects of this project and will receive all proposals, invoices, reports, and other correspondence relating to the project. Offeror(s) should be aware that direct contact with other Coordinating State Agencies or their staff is not appropriate

prior to the selection of the successful offeror. As part of each task, the successful offeror will be expected to provide periodic updates at least every two weeks, either in verbal or written form as requested.

VIII. STAFF SUPPORT:

The Commission will have designated staff support that will oversee scheduling and procedural issues as well as serve as the principal contact for the technical tasks associated with this review. Staff support will also act as a back-up for Project Leader contact, as needed.

IX. PERSONNEL ASSIGNED:

Your proposal must include an organizational chart listing each person to be assigned to the project. Please include each person's position within the firm, billing rate, experience, specific contribution to be made to the project, and other pertinent information. In addition, list the names of both the partner or officer in charge or the project manager, and give an estimate of their billable time for the project. List the estimated hours to be applied by all other persons to be assigned to this project. No persons other than those listed in the offeror's original proposal will be permitted to work on the project without the prior express approval of the Commission and/or Coordinating State Agencies' staff.

Provide a résumé for each person who will be assigned to the project indicating the individual's knowledge of the subject areas for this project and the qualifications applicable to the performance of the project. In addition, please list in your proposal at least three (3) current references for which the firm has

provided similar services, along with addresses and current telephone numbers of the reference. These references may be contacted by the Commission staff and/or Coordinating State Agencies in the evaluation of the proposals received.

X. RELATED PROJECTS:

Each proposal must list projects currently in progress or completed within the last three (3) years, which the offeror considers to be similar to this project. Each project should be described in sufficient detail to permit comparison with the subject matter of this RFP. Please place this information in an appendix to your proposal.

XI. CONFLICTING INTERESTS OR EMPLOYMENT:

Any individual or firm submitting a proposal is required to review its prior and existing employment, and that of its personnel, to insure that there are no interests which could reasonably be deemed to conflict with the work which is the subject matter of this RFP. The Commission and other Coordinating State Agencies are interested in avoiding even the appearance of impropriety and, therefore, any doubts in this regard should be resolved in favor of full disclosure. The successful offeror, and the personnel employed on the project, must have no direct financial or business interest with PEPCO Holdings, Inc., its subsidiary DP&L, the Delaware Electric Cooperative, Inc. or their competitors doing business within the State of Delaware which would or could be reasonably thought to affect the exercise of independent professional judgment throughout the proceedings contemplated by this RFP. Even though not state employees, the offeror should read and be familiar with the terms of 29 Del. C. Ch. 58 - "Laws regulating the Conduct of Officers and Employees of the State" so as to assist them in avoiding any improper conduct. In addition, 26 Del. C. 109 provides:

No person shall be eligible for appointment to or shall hold the office of Commissioner, or be appointed by the Commission to hold any office or position under it, who is a director, officer or employee of any public utility or owns or directly or indirectly controls any stock of any public utility entitled to vote for election of directors. No Commissioner, and no employee, appointee or official engaged in the service of or in any manner connected with the Commission shall hold any office or position, or be engaged in any business, employment or vocation, the duties of which are incompatible with the duties of his office as Commissioner, or his employment in the service or in connection with the work of the Commission.

XII. FIRM OFFER:

All proposals must contain a statement that the proposal is a firm offer for a period of not less than six (6) weeks from the deadline for proposals. Please provide such a statement **conspicuously** in your proposal.

XIII. PRICE:

It is intended that the contract resulting from the formal acceptance of the Proposal will be on a "NOT TO EXCEED" basis and will enable you to give the Commission and Coordinating State Agencies the full benefit of your best professional judgment and efforts.

Using the format below, provide a breakdown of the price of the proposal by hourly rates for every professional individual. Charges for non-professionals such as secretarial and typing support may be aggregated under "other fees or expenses".

<u>NAME</u>	<u>BILLING RATE</u>	<u>HOURS</u>	<u>EXPENSES</u>	<u>TOTAL</u>
Partner				
Project Manager				
All Others (by name)				
All Other Fees or Expenses				

Flexibility between classes and among members of the project team is permissible if the maximum price is not exceeded and all price information shall be placed in your proposal.

In addition to the above format, each proposal must contain the following statement:

The PSC shall pay (*offeror*) as full compensation for all authorized work performed and accepted including all costs, fees, and expenses, an amount not to exceed \$_____.

Only reasonable expenses shall be charged. The Commission or any other Coordinating State Agency reserves the right to disallow unreasonable expenses, as determined by them.

XIV. ACCEPTANCE OF PROPOSAL:

The original and copies of your proposal may be used as the contract. Therefore, each proposal must include an acceptance paragraph for the Commission's designated representative to sign. Until a formal notice of acceptance is issued, however, no communication either written or oral, by any member of the Commission, the Commission staff, any Coordinating State Agency or State employee, shall constitute or be interpreted as a promise of or actual acceptance of any proposal.

A formal notice of acceptance will be issued in writing to the successful offeror by the Commission, as endorsed by the Energy Office, Office of Management and Budget, and Office of the Controller General.

Such formal notice of acceptance is required prior to the creation of a contractual relationship between the successful offeror and the Commission and Coordinating State Agencies. By submitting a proposal, an offeror specifically agrees to not perform any services under or in connection with this RFP or the subject thereof until receipt of formal notice of acceptance.

To facilitate the processing of the proposal of the successful offeror, the following tentative acceptance paragraph should be provided at the end of your proposal:

If this proposal meets with PSC and Coordinating state Agencies approval and we are selected as the successful offeror, you will so indicate by signing the acceptance provided below and we will consider the RFP and this proposal as our agreement on this matter. We understand that this acceptance is tentative and conditioned upon approval by the Office of the Secretary of Finance of the State of Delaware of a validly executed purchase order for the work to be performed in connection therewith.

We will perform no services under this proposal to be charged to the PSC, any other Delaware State agency or to the State of Delaware and will not consider a binding contractual arrangement to have been entered into until the issuance by the PSC and Coordinating State Agencies of a formal notice of acceptance stating that a validly executed purchase order for services to be performed in accordance with this proposal has been approved by the Office of the Secretary of Finance of the State of Delaware.

We acknowledge that all terms, conditions, and assurances contained in the RFP to which this proposal responds are accepted and incorporated by this proposal.

Accepted this _____ day of _____, 20____.

XV. FACTORS WHICH MAY BE CONSIDERED IN THE SELECTION PROCESS

Proposals will normally be evaluated based on the specifications of this RFP and/or consideration of the following factors:

- a. Demonstrated ability to understand and perform the assignment in an expeditious and professional manner.
- b. Innovative suggestions for making the required review and analysis.
- c. Description of the work product to be produced.
- d. Demonstrated knowledge and understanding of projects of a similar nature.
- e. The quality of the staffing plan and qualifications and past experience of the personnel assigned to work on the project.
- f. The specific approach proposed for the project, including the time requirements for different phases of the project, if any, and the presence or absence of briefing schedules for the Commission, Coordinating State Agencies or employees or other individuals or organizations as appropriate.
- g. Prior experience of any other state organization or personnel or other State of Delaware organizations or agencies with the offeror's work product.
- h. Responses and recommendations of listed references.
- i. Existence of conflicting or potentially conflicting interest or employment or the appearance of such conflicts.
- j. Total price of proposal and the components thereof.
- k. Overall impression of the offeror from the form of the proposal and from services previously performed for the Commission and/or Coordinating State Agencies, if any.

XVI. ASSURANCES:

By submitting a proposal in response to this RFP, the offeror assures the Commission and Coordinating State Agencies that he, she, or it has or will, prior to performing any work to be billed in connection with the project which is the subject matter of this RFP, secure all necessary licenses or permits required by

the Division of Revenue and other appropriate agencies and departments of the State of Delaware to perform work of the nature contemplated by this RFP.

XVII. INDEPENDENT CAPACITY AND ASSIGNABILITY:

The successful offeror and any agents and employees thereof shall, in the performance of work under the proposal and this RFP, act in an independent capacity and not as officers or employees of the State. The successful offeror shall not assign nor transfer any interest under the contract resulting from this RFP without the prior written consent of the Commission's Project Leader.

XVIII. INDEMNIFICATION:

The successful offeror agrees to indemnify, defend, and save harmless the State of Delaware, its officers, agencies, commissions, employees, and agents from any and all claims and/or losses accruing or resulting to persons, firms, or corporations who may be injured or damaged by the successful offeror in the performance of its duties and responsibilities under the accepted proposal and also from and against any liability, including costs and expenses, for violation of proprietary rights, copyrights, or rights of privacy or confidentiality arising out of the publication, translation, reproduction, delivery, performance, use or disposition of any data furnished pursuant to this engagement or based on any libelous or otherwise unlawful matter contained in such data.

The successful offeror agrees that it will also provide or cause to be provided, at no further cost, such additional professional consulting services as may be necessary to rectify or otherwise correct the effects of any errors or omissions resulting from the negligent performance or non-performance by the

successful offeror, its employees, agents, or assigns of its reasonable duties and responsibilities in connection with the subject matter of this RFP.

XIX. ACCESS TO RECORDS AND RIGHT TO AUDIT:

The successful offeror agrees that the Commission and Coordinating State Agencies, through duly authorized agents or employees, shall have the right to audit and examine such books, records, time cards, and other material in possession or control of the offeror as may be deemed necessary to verify fees, charges, or expenses billed in regard to the project which is the subject of this RFP.

XX. CONFIDENTIALITY OF PROPOSALS, WORK PAPERS AND MATERIALS

The proposal filed in response to this RFP will be considered a public document and will be available for public inspection. The successful offeror agrees that the Commission and Coordinating State Agencies shall own and have unlimited right to all interim and final written testimony (if any), exhibits, or reports, and that the offeror shall not assert any rights or establish any claim under existing copyright, patent, or data law as to such material or processes. Further, the offeror agrees that upon request it will turn over to the Commission and Coordinating State Agencies within thirty (30) days following the deliberation and decision by the Commission and Coordinating State Agencies on the subject matter of this RFP, original or legible copies of all work papers created by offeror in support of its testimony, exhibits, or reports during the course of this engagement.

XXI. PAYMENT:

The successful offeror(s) shall submit a detailed bill to the Commission through the Project Leader or staff support person for services performed consistent with its accepted work plan on a monthly basis.

Subject to review and audit by the PSC such invoice will be promptly processed and paid. If the offeror wishes to propose a different schedule for interim payments, it should be **conspicuously** set forth in the proposal. In the absence of such other schedule which is accepted by the Commission and Coordinating State Agencies, the payment plan set forth herein will control.

XXII. TERMS AND CONDITIONS:

The RFP does not commit the Commission, Coordinating State Agencies, or any State agency to enter into a contract nor to pay any cost incurred in the preparation of a proposal in response to this request. The Commission and Coordinating State Agencies reserve the right to accept or reject any or all proposals received, to negotiate with all qualified sources, or to cancel or modify this RFP in whole or in part. The Commission and Coordinating State Agencies reserve the right to request additional written data, information, oral discussion, or presentations in support of any written proposal or portion thereof which is deemed necessary to clarify any aspect of the proposal.

The Commission and Coordinating State Agencies reserve the right to enter into negotiations with one or more offerors concerning the subject matter of this RFP independent from the proposals which may be submitted in response to the RFP, may accept any proposal with or without modifications acceptable to the offeror without conducting further written or oral discussions with any offeror, and the Commission and Coordinating State Agencies shall be under no obligation to explain to any offeror whose proposal is not accepted, the reasons for such non-acceptance. By submitting a proposal, the offeror agrees that it will not seek such explanation for non-acceptance of its proposal.

XXIII. TERMINATION OF AGREEMENT FOR CAUSE:

It is understood and agreed that if, through any cause or for any reason, the successful offeror shall fail to fulfill in a timely and proper professional manner the obligations under the successful proposal, or shall violate any of the terms and conditions of this RFP, the Commission and/or Coordinating State Agencies shall have the right to terminate the agreement by giving written notice of such termination to the successful offeror specifying the effective date of such termination, which shall be not earlier than the mailing of such notice. In the event of such termination, all finished or unfinished documents, data, studies, exhibits, or other material prepared or being prepared pursuant to the project shall, at the option of the Commission and Coordinating State Agencies, become its property and the successful offeror shall be entitled to receive just and equitable compensation for any reasonably satisfactory work performed.

XXIV. TERMINATION FOR CONVENIENCE OF THE COMMISSION:

The Commission and Coordinating State Agencies reserve the right to terminate this project at any time, either before or after acceptance of the proposal. Such termination, when made prior to the issuance of formal notice of acceptance of a proposal, may be accomplished by telephone or mail. Such termination, when made after issuance of formal notice of acceptance of the proposal, shall be accomplished by notice of termination which shall be made in writing and which shall be effective upon receipt by the successful offeror.

XXV. EFFECTIVE DATE AND TIME OF PERFORMANCE:

The rights and obligations of the successful offeror and the Commission and/or Coordinating State Agencies shall not be effective, nor shall either the successful offeror nor the Commission or Coordinating State Agencies be bound by the terms of a tentatively accepted proposal unless and until the

Commission and Coordinating State Agencies have approved the proposal in writing. Performance of services contemplated by this RFP shall not begin prior to the issuance of a formal written notice of acceptance.

XXVI. ADDITIONAL WORK NOT CONTEMPLATED IN THE PROPOSAL:

In the event that it becomes necessary or desirable during the course of the project for the successful offeror to perform additional work not reasonably contemplated within the proposed firm price, it is understood and agreed that **NO** compensation will be paid for such work commenced or undertaken without the **PRIOR** approval of the Commission Project Leader.